

CALCULATION OF THE 2009 OPERATING INCOME USED IN THE MARCH 1, 2014 AGRICULTURAL LAND BASE RATE

	2009	2009	2009
	Gross Cash Rent	Less Property Taxes	Net Cash Rent
Net Income for Cash Rented Land	\$158	-\$19	\$139

Source or Formula

Purdue Ag. Econ. Report (PAER) for rents & a DLGF Study for taxes

Net Income for Owner-Operated Land November Price Annual Avg. Price Market Year Avg. Price

		2009		2009		2009	
		Corn	Beans	Corn	Beans	Corn	Beans
1	Yield Per Acre in Bushels	171	49	171	49	171	49
2	Price Per Bushel	\$3.66	\$9.63	\$3.85	\$10.35	\$4.10	\$10.20
3	Sales (Gross Income)	\$626	\$472	\$658	\$507	\$701	\$500
4	Less Variable Costs	\$425	\$223	\$425	\$223	\$425	\$223
5	Contribution Margin	\$201	\$249	\$233	\$284	\$276	\$277
6	Plus Government Payments	\$23		\$23		\$23	
7	Total Contribution Margin	\$236		\$270		\$288	

Source or Formula

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Line 1 (Yields) times Line 2 (Prices) = Sales (or Gross Income)

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Line 3 (Sales) minus Line 4 (Variable Costs) = Contribution Margin

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Line 5 (Corn) plus Line 5 (Beans) plus Line 6 divided by 2

Less Overhead:							
8	Annual Machinery	\$66		\$66		\$66	
9	Drying/Handling	\$11		\$11		\$11	
10	Family/Hired Labor	\$52		\$52		\$52	
11	Real Estate Tax	\$19		\$19		\$19	

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12	Net ReturnTo Land	\$88		\$122		\$140	
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Line 7 minus Lines 8, 9, 10, 11 = Net Return to Land (NRTL)

13	Net ReturnTo Land-November	\$88					
14	Net ReturnTo Land-Annual Avg.	\$122					
15	Net ReturnTo Land-Market Yr. Avg.	\$140					
16	Net ReturnTo Land - Average	\$116		This is the Net Income for Owner-Operated Land			

Line 12 - November Price

Line 12 - Annual Avg. Price

Line 12 - Market Year Avg. Price

Average of the Lines 13, 14, and 15

	Income	Capitalization Rate	Value
Net Income for Cash Rented Land	\$139	/ 6.17%	= \$2,253
Net Income for Owner-Operated Land	\$116	/ 6.17%	= \$1,880
Average of the Two Net Incomes	\$127.50	/ 6.17%	= \$2,066

This number is one of the six years used to calculate the base rate. (Refer to Page 15 of the Resource Material Packet to see how it fits into the calculation.)

As illustrated in the following equation, the market value in use of agricultural land is calculated by dividing the the net income of each acre by the appropriate capitalization rate.

$$\text{Market Value In Use} = \text{Net Income Divided By The Capitalization Rate}$$